



The Future of Business: harnessing diverse talent for success

Practical guidance for employers



October 2022

Foreword



Jonathan Geldart
Director General, IoD

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In the face of economic uncertainty, there is a risk of the task of fostering inclusive workplaces taking a back seat, and the progress of recent years being eroded.

Yet harnessing the full potential of the UK's diverse workforce has never been more important for business. Diverse organisations are more effective and creative and, as a result, more likely to be successful and resilient in difficult economic times.

Business simply cannot afford to miss out on talent, which is why the IoD launched this Commission to better understand current good practices and help develop best practice in embedding equity, diversity, and inclusion in organisations.

Through extensive research and engagement with business leaders and equity, diversity, and inclusion (ED&I) experts across the UK, we have developed practical guidance for businesses of all sizes to build working environments in which all talent can thrive and contribute to business success.

We are incredibly grateful to Lord Shinkwin for his expert chairing of this review and to all of the Commissioners for their outstanding insights, which we hope that we have fully encapsulated in this report.



Lord Shinkwin
Commission Chair

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It has been an honour and a real pleasure to chair this Commission. I am extremely grateful to the stellar cast of my fellow Commissioners for being so generous with their time, despite their demanding diaries, and to the IoD for treating the issue of ED&I with the seriousness it deserves.

I would particularly like to thank Commission Chief of Staff, George Relph, and IoD Senior Policy Advisor, Alex Hall-Chen, without whose intellect and formidable work ethic this White Paper would not have been possible.

When I accepted the invitation to be Chair, I was convinced that business is a force for good; the work of the Commission leaves me even firmer in that belief. It also fills me with hope. I am excited by businesses' increasing appetite to harness diverse talent in the knowledge that their future success depends on it. I hope they find the practical guidance contained in this White Paper, honed by some of our foremost business leaders, helps them — and all of their employees — realise their potential.

Contents

Foreword 2

About the Commission 4

Summary of recommendations 6

Introduction 8

Data 10

Recruitment 15

Progression 18

Workplace culture 23

Senior leadership and accountability 26

About the Commission

In March 2022, the IoD launched a Commission, ‘The Future of Business: harnessing diverse talent for success’, to examine the key barriers to the recruitment, retention, and progression of individuals from underrepresented groups, with specific reference to disability, ethnicity, gender, and sexual orientation¹.

The Commission has been chaired by Lord Shinkwin, who has made equality of opportunity his key focus since entering the House of Lords in 2015 and has lived experience of severe disability, and has been guided by a panel of eleven senior business leaders and experts in the field of ED&I. It has worked to identify and promote business best practice in overcoming these barriers and in creating working environments in which all talent can thrive and contribute to business bottom-line and growth.

The Commissioners would like to express their sincere thanks to Alexandra Hall-Chen, Senior Policy Adviser at the IoD, who authored this report on their behalf.

Commissioners

Dr Roger Barker

Director of Policy and Corporate Governance, IoD

I. Stephanie Boyce

Immediate Past President, the Law Society of England and Wales

Virginia Clegg

Senior Partner, DAC Beachcroft

Paul Donovan

Chief Economist, UBS Global Wealth Management

David Forbes-Nixon OBE

Founder and former CEO, Alcentra and Founder and Executive Chair, DFN Charitable Foundation and DFN Project SEARCH

Mike Howells

President, Workforce Skills, Pearson

Steve Ingham CBE

CEO, PageGroup

Matthew Layton

Former Global Managing Partner, Clifford Chance

Helena, Baroness Morrissey DBE

Chair, The Diversity Project

Dr Zara Nanu

Chief Executive, Gapsquare

Theresa Shearer FRSE

CEO, ENABLE

¹ The Commission opted, for reasons of capacity and scope, to focus on four protected characteristic groups. If useful to our members, we envisage building on the Commission's work by extending the scope of the protected characteristics examined, particularly in researching the intersectionality between these characteristics and socioeconomic status.



Summary of recommendations

The Commission's research focussed on five cross-cutting themes: data, recruitment, progression, workplace culture, and senior leadership.

Data

1. **Count²:** develop a data strategy to inform all policy and practice decisions relating to ED&I.
2. **Share:** where appropriate, routinely publish anonymised workforce and pay gap data across disability, ethnicity, gender, and sexual orientation.
3. **Change:** use the data you gather to create action plans with clear, ambitious targets and accountability structures.

Recruitment

1. Review recruitment and onboarding practices regularly, based on collecting and analysing feedback and data.
2. Take steps to proactively engage with the widest possible talent pool when recruiting.
3. Review and update how applications are processed to ensure it is based entirely on candidates' skills, experience, and potential.
4. If you use external recruitment agencies, be clear that you are seeking applications that reflect the diversity of talent in the field, and make performance against measurable ED&I metrics a key deliverable.

Progression

1. Review the extent to which there is a pipeline of diverse talent into your organisation's senior leadership and analyse where the strengths and weaknesses of your pipeline to senior leadership are.
2. Assess how and to what extent underrepresented groups are supported to realise their potential once they join your organisation.
3. Ensure transparency by clearly communicating promotion and progression criteria and opportunities.

² Count, Share, Change has been adapted from the BBC's [50:50 The Equality Project methodology](#).

Workplace culture

1. Review the way in which all communications convey and project how your organisation values and harnesses diverse talent.
2. Promote an atmosphere of open and regular communication between staff and across various levels of the organisation, where employees³ feel comfortable to share personal and workplace experiences.
3. Consider how to embed flexible or non-traditional working methods in your organisation, and where possible make flexible working the default from day one of employment.
4. Offer regular training, particularly for managers, to give them the confidence to develop and implement ED&I best practice at all levels.
5. Support and resource the establishment, and utilise the insights of, employee networks, which are voluntary groups of employees that connect based on shared identity or life experiences.

Senior leadership

1. Build ED&I into the core functions of boards as an element of business strategy.
2. Ensure an accountability structure for meeting targets on ED&I, including at board level.
3. Use reverse mentoring, whereby senior leaders are mentored by a more junior colleague from a protected characteristic group.
4. Consider how senior leaders can support conversations at all levels around ED&I and actively and consistently demonstrate support for building an inclusive culture throughout the organisation.

³ In a world of work where flexible and hybrid are increasingly prevalent, in some cases the relationship may be one of employer and consultant/contractor, rather than employer and employee, but many of the ED&I issues remain the same.

Introduction

Harnessing diverse talent has never been more important for business. Diverse talent adds value and helps to give businesses the competitive edge in recruitment, retention, employee satisfaction, strategic planning and productivity, and the customer/client and stakeholder interface.

Research by McKinsey found a clear correlation between companies' gender and ethnic diversity and profitability, concluding that diversity is a source of competitive advantage and a key enabler of growth⁴. In a survey of IoD members in 2019, around two thirds (64%) agreed that a diverse board is a strong driver of an effective business (as opposed to 11% who disagreed). Our members cited the benefits of diverse business leadership as cultural transformation in the company (60%), reduced groupthink (60%), and improved ability to innovate (58%).

The current rapid pace of structural change being seen in the economy via the fourth industrial revolution, with dramatic advances in technology and artificial intelligence, makes ED&I even more important. Such change presents both new opportunities and risks, and having diverse perspectives involved in the decision-making process increases the likelihood that these will be identified. Furthermore, the economic gains of rapid structural change will not depend on technology alone but on its application, which in turn places additional weight on the importance of equitable talent management processes to ensure that the right people are in the right jobs.

With a tight labour market and longstanding skills gaps threatening the UK's economic growth, businesses simply cannot afford to miss out on diverse talent. An equitable and inclusive workplace is increasingly an essential part of an organisation's employee value proposition; according to 2022 research by workplace training company TalentLMs, 77% of Gen Zers⁵ consider it important that their

company supports diversity, equity, and inclusion efforts⁶. But ED&I is not just about recruitment; an inclusive workplace enables employees to be their whole selves at work and increases motivation on the basis of a confidence that work will be fairly rewarded and free of barriers, which in turn helps employees to be engaged, productive, and able to contribute fully in the workplace.

This paper represents the culmination of evidence collected as part of the IoD's Commission, *The Future of Business: harnessing diverse talent for success*. Data collection included responses to an initial Call for Evidence, as well as surveys and focus groups of IoD members, and interviews with experts in the field of ED&I in business.

This paper presents insights and recommendations for employers across five key themes: data, recruitment, progression, workplace culture, and senior leadership. It should be read alongside a parallel paper, to be published shortly — *The Future of Business: harnessing diverse talent for success. Recommendations to government* — that provides recommendations as to how governments can support businesses to create equitable, diverse, and inclusive workplaces.


64%

of IoD members agreed that a diverse board is a strong driver of an effective business.

⁴ Hunt, V., Yee, L., Prince, S., and Dixon-Fyle, S. (2018). *Delivering Through Diversity*. McKinsey and Company.

⁵ Individuals born since 1997.

⁶ <https://www.talentlms.com/research/gen-z-workplace-statistics#what-matters-to-Gen-Z>



Equity, diversity, and inclusion (ED&I) describes policies and programmes that promote the representation and participation of different groups of individuals in the workplace.

Data

Why it matters

Without data, there can be no accurate assessment of performance against goals. Data underpins competition and growth and is essential to business success. Data is also a powerful driver for action and lever for progress. All good business strategies are informed by collecting and monitoring high-quality data, and ED&I is no different.

Data is crucial in helping businesses to understand where their strengths and weaknesses are with regards to ED&I, and consequently where to target action and resources to make the biggest difference in the shortest period of time. Data can also help to measure the impact that a diverse, inclusive, and representative workforce, board, and leadership team have on business success and productivity.

The policy landscape around data and ED&I is evolving rapidly. The UK has had mandatory gender pay gap reporting for organisations with more than 250 employees since 2017, and in early 2022 the government consulted on disability workforce reporting⁷. Furthermore, in April 2022 the Financial Conduct Authority set out new Listing Rules to require listed companies to include a statement in their annual financial report setting out whether they have met specific board diversity targets⁸.

Developing and implementing a targeted data strategy can therefore both support an effective and holistic company ED&I approach and help to meet regulatory and wider stakeholder expectations.

Key recommendations

1. Count: develop a data strategy to inform all policy and practice decisions relating to ED&I.

Establishing a benchmark of the state of play in your organisation is an essential first step, not only to identifying potential areas of focus but also to being able to measure the impact of any ED&I interventions.

There are many types of data which can be useful for informing ED&I strategies but at its core, employers should collect data on the number of women, disabled, ethnic minority and LGBTQ+⁹ individuals they employ as a proportion of their workforce. They should also collect data on the pay gaps experienced by each of these groups, and the percentage of each of these groups within each pay quartile.

Utilising industry or wider benchmark studies focussed on the most relevant population — for example, data from organisations such as the Higher Education Statistics Agency and the Association of Graduate Careers Advisory Services (AGCAS)¹⁰ — to assess progress and opportunities for best practices can also drive progress.

2. Share: where appropriate, routinely publish (internally and, where possible, externally) anonymised workforce and pay gap data across disability, ethnicity, gender, and sexual orientation.

As the BBC's 50:50 The Equality Project highlights, any data needs to be communicated to have meaningful impact. Transparency on ED&I sends a clear message to both existing and potential employees and external stakeholders, including corporate shareholders as well as current and potential customers or clients, that an organisation takes ED&I seriously.

⁷ <https://www.gov.uk/government/consultations/disability-workforce-reporting>

⁸ <https://www.fca.org.uk/publications/policy-statements/ps22-3-diversity-inclusion-company-boards-executive-management>

⁹ At the time of publication, "LGBTQ+" is the most conventional acronym to describe sexuality minority groups and should be taken to stand for anyone who is part of a sexuality minority.

¹⁰ AGCAS' What Happens Next? 2022 highlights that in 2019 16.3% of first degree undergraduates were disabled. See https://www.agcas.org.uk/write/MediaUploads/Resources/Research%20and%20knowledge/WHN_2022.pdf

3. Change: use the data you gather to create action plans with clear, ambitious targets and accountability structures.

It is important to contextualise any data collected. It is unlikely that any company will be able to collect accurate data on all protected characteristic groups, particularly those for which levels of self-reporting are lower, so decisions made on the basis of data should take this into account. Furthermore, workforce data should be contextualised against demographic data relevant to the regions and sectors in which they operate; it may be helpful, for example, to contextualise reporting and targets on ethnicity against local demographic data, or on gender against the proportion of women working in the given sector.

For smaller employers, certain types of data may be less insightful than others due to sample sizes. For example, while an SME may not have enough data points to generate high-quality data on pay gaps, they can still use data to analyse the diversity of talent applying and progressing through their recruitment stages.



Tackling the challenge of self-reporting

Collecting accurate data on ED&I can be challenging. Engaging and persuading employees to share personal information is a sensitive and significant request that can hamper many employers' efforts to use data to inform ED&I policies, especially for individuals from protected characteristic groups.

Some employees simply prefer to exercise a right to privacy when it comes to sharing data. However, others may fear that sharing their protected characteristic status will lead to their being treated differently — or even discriminated against — particularly when it comes to progression within an organisation, and so have little incentive to be as open as they might like to be.

There is no simple fix to this, but there are steps that employers can take to increase self-reporting rates:

- Clearly communicating why data is being collected and how it will be used to make the workplace more inclusive.
- Setting an inclusive tone from the top, emphasising that diversity is desirable and good for business.
- ED&I training for all staff, to decrease 'otherness' and encourage self-reporting.
- Encouraging senior leaders to be open in their allyship and/or in sharing their belonging to protected characteristic groups.
- Collecting data through anonymous surveys where appropriate. Using external survey providers can help to convey to employees that surveys are genuinely anonymous.
- Sharing the anonymised outcomes of data collection, as well as action plans, with all staff, and using these to assess progress against KPIs in the annual report.

Working with managers and staff to foster a work culture and environment that embrace change and value diversity, so that openness about protected characteristics is encouraged — but not mandated — from senior management downwards through all communications, is essential to increasing self-reporting rates.

Balancing anonymity with data utility

While anonymous surveys can be useful in increasing self-reporting rates, they are not always appropriate.

Non-anonymous data is necessary to calculate pay gaps, meaning that data on employees' disability, ethnicity, gender, and sexual orientation status needs to be linked to employees. In such instances it is important to provide assurances that the data will be treated confidentially.



Case study

Building an evidence base to target interventions

Silver Birch Care is a provider of support for looked after young people aged 16 years and over, with 120 employees. They are committed to building an inclusive workplace; they were awarded gold standard accreditation by Committed to Equality after an in-depth audit of their ED&I processes and documentation and were one of the first organisations to receive the Good Business Charter accreditation, which requires accredited organisations to commit to employee diversity and inclusion as one of its 10 principles of responsible business behaviour.

Silver Birch Care is implementing a data strategy to support its ED&I strategy by helping them to understand what change is needed and why. They recently used an anonymous survey to better understand the demographics of their workforce and to ask employees directly whether they feel their workplace is inclusive and what policies and initiatives the company can implement to go beyond legal compliance and make the workplace more inclusive. They achieved a 98% response rate and senior management is in the process of implementing policies based on the feedback received, such as creating an internal succession plan.

The next step in Silver Birch Care's ED&I journey is to use insight from the employee survey and wider employee data to understand if there are stages in the leadership pipeline where employees from diverse backgrounds are more likely to drop off, so that they can then target interventions at the appropriate level.

Case study

Building a successful campaign to encourage self-reporting

As a top law firm, attracting, retaining, and developing talented employees is key to Clifford Chance's success. Clifford Chance recognised that building a diverse and inclusive workforce required high-quality data, but faced the challenge of low voluntary reporting of data by employees.

Clifford Chance developed a 'self-ID' campaign to address this challenge. The firm's commitment to maintaining the voluntary nature of data collection was central to the campaign, which focused on persuasion rather than compliance.

The campaign set out several key objectives:

- Help all audiences to understand and appreciate why sharing data is so useful.
- Reassure staff regarding how the data will and will not be used, emphasising the confidentiality of the data collection exercise.
- Encourage employees to input their information on the firm's database.
- Guide employees through the quick process of reporting data.
- Target specific demographics that had lower rates of sharing this information.

Multiple pathways for the request were developed to reflect the fact that, while the 'ask' of the campaign was important, the voices and tone of the people making the ask was critical in building trust and engagement levels.

Key steps included:

- Peer-to-peer communication: the campaign used a range of voices so that people would receive the request from colleagues in the same area or same level within the firm.
- Direct line management communication to increase the proximity of the request. Direct line managers were well-placed voices to explain how sharing data could be beneficial for their respective teams.
- Multiple media: the campaign reflected that people are busy and engage with the firm in multiple ways. The campaign therefore produced messaging through multiple internal fora to maximise awareness. These platforms included the intranet within the firm, video interviews with a range of voices from different levels of the firm and key demographic groups, internal news feeds, and internal social media platforms.
- Clear next steps: the campaign set out the straightforward steps for people to take to report their data.



Our personal information is important to us as individuals. Organisations that wish to collect diversity data need to understand and respect this principle. It is not a simple case of turning on data collection and telling people to hand their information over. Gathering data requires the development of campaigns that raise awareness and understanding of why data matters and how it can drive change, but also build trust and confidence between people and their employer about how it will be used and how it will be protected.

Tiernan Brady, Global Director of Inclusion, Clifford Chance

Recruitment

Why it matters

For a workforce to become diverse, an organisation first needs to have a recruitment practice which is inclusive, equitable, and accessible. Inclusive recruitment actively removes barriers that applicants might face based upon their ethnicity, disability, sexual orientation, gender, or any other protected characteristic.

Missing out on talent in the recruitment process undermines business growth and success. With unemployment at record lows, and more reported job vacancies than unemployed people¹¹, it has never been more important for employers to ensure that they are accessing talent in all its forms. By taking a data-informed approach to reviewing and improving recruitment processes, employers can ensure that roles attract the best talent the UK has to offer.

When engaging with formal training and employment schemes, make sure to plan how you will facilitate progression into permanent positions where possible.

Key recommendations

- 1. Review recruitment and onboarding practices regularly based on collecting and analysing feedback and data, including the extent to which they reflect the demographic characteristics of the region in which they operate.**

In particular, are there points of the application process at which diverse candidates are more likely to drop off and/or experience barriers? What proportion of applicants are from diverse backgrounds, what proportion progress to interview, what proportion are offered jobs, and what proportion accept jobs? How closely do these proportions reflect wider population demographics?

Gathering data at the recruitment stage requires some form of self-disclosure from applicants, a process which requires careful explanation as to why diversity questions are being asked at that stage and a recognition that the dataset is unlikely to ever be entirely accurate.

- 2. Take steps to proactively engage with the widest possible talent pool when recruiting.**

There are a number of excellent programmes through which employers can access talented individuals from underrepresented groups at the junior levels — such as [10,000 Black Interns](#), [DFN Project SEARCH](#), and [Supported Internships](#) for learners with an education, health, and care plan — to help build a pipeline of diverse talent into your organisation.

If you engage with educational institutions, could you broaden the types of schools, colleges, and universities you access talent through?

Advertising jobs in places accessible to diverse communities is a good way not only to increase the pool of talent that is aware of the vacancy,

¹¹ <https://www.bbc.co.uk/news/uk-61475720>

but also to signal that the hiring organisation values diverse talent. Job boards which target diverse communities — such as pinknews.co.uk/jobs-board, evenbreak.co.uk, investinginwomen.co.uk, disabilityjob.co.uk and bmejjobs.co.uk — can provide a useful starting point.

Ensuring that your job advertisements and website clearly communicate your commitment to ED&I can also help to attract applicants from diverse backgrounds. This can be achieved in a number of ways, including:

- If you are able to offer flexible working — for example, part-time jobs and job shares — making this commitment to non-traditional working patterns clear in your job advertisements.
- Avoiding, or balancing, gendered language in job advertisements. Use PageGroup's simple [Gender Bias Decoder for Job Adverts](#) tool to check for gendered language in your job advertisements.¹²
- Using diverse imagery on job advertisements and your website.
- Ensuring that your advertisements and website are digitally accessible¹³.
- Stating within an advert what the recruitment process will entail, which allows disabled applicants to consider whether they may require a reasonable adjustment.
- Including anonymised case studies of the reasonable adjustments in place for existing staff.
- Clearly stating in job advertisements that you welcome applications from individuals from all backgrounds.

3. Review and update how you process applications to ensure it is based entirely on skills, experience, and potential.

Existing recruitment methods can unconsciously disadvantage some groups, and a process of challenging and reviewing how you approach recruitment can help to tackle this. Actions to consider might include:

- Training staff responsible for recruitment to ensure that recruitment processes are inclusive.
- Using anonymised CVs.
- Ensuring that a named contact is given with whom a disabled applicant can discuss adjustments, both at the initial application stage and downstream selection processes.
- Accommodating requests for adjustments to the application process in line with legal requirements¹⁴, and committing to providing a response on reasonable adjustment requests in a timely manner.
- Building diversity into recruitment panels.
- Reviewing whether the types of interview questions you ask could disadvantage particular groups. For example, asking vague questions — such as 'tell us about yourself' — can disadvantage neurodiverse candidates.
- Sharing interview questions with candidates ahead of time.
- Considering alternatives to interviews, which are not always the best way for diverse candidates to show their potential. For example, could you offer a paid work trial in place of an interview?
- Clearly communicating the role's salary range and linking salary solely to job requirements irrespective of previously drawn salary.

4. If you use external recruitment agencies, be clear that you are seeking applications that reflect the diversity of talent in the field and make performance against measurable ED&I metrics a key deliverable.

¹² Page Group's Gender Bias Decoder: <https://www.pageoutsourcing.com/gender-decoder>

¹³ See <https://www.w3.org/TR/WCAG21/> for more detail on making web content accessible.

¹⁴ <https://www.acas.org.uk/reasonable-adjustments>; <https://www.gov.uk/government/publications/reasonable-adjustments-a-legal-duty/reasonable-adjustments-a-legal-duty>

Case studies

Building a diverse workforce through inclusive recruitment

Perrett Laver is an international executive search firm with 165 employees. Having a diverse staff is core to its mission and it has taken steps to make sure its recruitment, onboarding, development, and progression processes are as inclusive as possible.

Perrett Laver set out to update its recruitment processes to ensure that they were accessing the best talent available. This process started with developing inclusive job advertisements, which included reviewing advertisement text to avoid gender and age bias, using diverse imagery, and ensuring that all collateral is available in several formats for accessibility purposes. Including a strong statement on its commitment to inclusion and referencing its membership of the [Good Business Charter](#) in job advertisements signals to prospective employees that diversity, fairness, and a healthy workplace is fundamental to its vision and mission. Furthermore, advertising on diversity-focussed recruitment platforms helps Perrett Laver to attract applications from underrepresented groups.

Members of staff with responsibility for recruitment focus on candidates' transferable skills and experiences; they use longlist assessments to make the interview process more equitable and are trained in reducing unconscious bias through the hiring process.

Implementing these changes has had a measurable impact not only on the diversity metrics of the team across all protected characteristics, but additionally on the calibre of applicants for roles at every level, ensuring a pipeline of diverse talent for the future.

Building an inclusive board from company inception

IgniteQuals is an Awarding Organisation established in 2021 with a focus on vocational qualifications for young people from diverse backgrounds. Its corporate strategy from inception has centred a commitment to ED&I, from governance arrangements to operational staff and external partnerships.

IgniteQuals worked in partnership with a board advisory recruitment firm to build a diverse board to guide the company in its early growth stage. They fully briefed the recruitment firm on their requirements around diversity, and as a result recruited a board that is 40% female and 40% ethnic minority members.

The board includes an ED&I specialist non-executive director, whose role is to champion and implement policies that are inclusive to IgniteQuals' staff, clients, and learners at board level.

Its focus on ED&I from inception has enabled IgniteQuals to keep inclusion at the heart of its business affairs and support in the next stage as it works to bring in a diverse workforce.

Progression

Why it matters

Although representation of women and ethnic minorities on boards and in other senior leadership positions in businesses has improved in recent years, individuals from diverse backgrounds remain less likely to progress into senior positions, meaning that employers are missing out on the benefits of diverse leadership.

Research from 2021 found there were no executives or senior managers who had publicly identified as having a disability at any of the FTSE 100 companies¹⁵, and as of March 2022, only six of the FTSE 100 CEOs are from an ethnic minority background¹⁶. And while 40% of FTSE 100 directors are now female, only around 25% of executive committee roles, and very few CEO or other executive roles, are held by women¹⁷. At the same time, as of January 2021 there were no publicly out LGBTQ+ CEOs in the FTSE 100¹⁸.

By using data to identify strengths and weaknesses in the leadership pipeline, employers can introduce targeted measures to ensure that their leadership teams benefit from the best talent available.

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number of executives or senior managers who had publicly identified as having a disability at any of the FTSE 100 companies¹⁵

Key recommendations

- 1. Review the extent to which there is a pipeline of diverse talent into your organisation's senior leadership and analyse where the strengths and weaknesses of your pipeline to senior leadership are.**

To what extent are individuals from diverse ethnic, gender, disability, and sexual orientation backgrounds represented at various levels of the organisation? Are there particular stages of career progression where employees from diverse backgrounds drop out of, or cannot move beyond, the leadership talent pipeline?

As part of this, it is important to look at how the proportion of employees with certain characteristics changes at different levels of seniority. For example, if women occupy 50% of senior positions and 70% of more junior positions, there may be progression barriers for women within the organisation that could be unblocked.

Disaggregating data by role function can also provide insights into areas of strength and weakness in your organisation's leadership pipeline, for example in assessing whether there are trends in individuals from protected characteristic groups being more likely to be concentrated in certain types of roles.

Include metrics on diverse career progression within your organisation's key KPIs and develop targets and an action plan to achieve them.

¹⁵ Tortoise (2021). Disability 100: Findings Report. London: Tortoise.

¹⁶ Parker, J. (2022). Improving the Ethnic Diversity of UK Boards An update report from the Parker Review. London: EY.

¹⁷ <https://www.gov.uk/government/news/sea-change-in-uk-boardrooms-as-women-make-up-nearly-40-of-ftse-100-top-table-roles#:~:text=The%20UK%20has%20climbed%20to,12.5%25%20just%2010%20years%20ago>

¹⁸ In the US, only 30 (0.5%) of Fortune500 board seats are held by publicly out LGBTQ+ individuals (<https://lgbtqdirectors.org/2022/06/07/meet-the-out-lgbtq-corporate-board-members-in-fortune-500/>). Up-to-date, comparable UK data is not currently publicly available.

2. Assess how and to what extent underrepresented groups are supported to realise their potential in your organisation.

Many employees from protected characteristic groups may be wary of sharing their protected characteristic group status for fear that it will adversely affect their experience in the workplace and their opportunities for progression.

Supporting and encouraging employees — especially those in senior leadership positions — to be open about belonging to protected characteristic groups will not only increase visible representation but will create role models for more junior staff from underrepresented groups, and thereby reinforce the message to corporate shareholders, as well as current and potential customers, clients, and employees that diversity is an asset which is valued in theory and in practice.

Having clear policies in place to support underrepresented groups at the stages where they are most likely to drop out of the workforce, such as maternity, menopause, and individuals acquiring disabilities, can help to retain and progress talent. In the case of disability, 80% of disabilities are acquired between the ages of 18 and 65¹⁹ and many people drop out of the workforce after acquiring a disability; it is essential to support people who acquire disabilities to both continue to do their jobs and to progress in their careers.

Ensuring that the assignment and delegation of work is distributed fairly to allow all individuals new opportunities to develop is also crucial to making access to progression equitable.

Consider introducing mentoring, coaching, and sponsorship programmes to support the development and progression of employees from diverse backgrounds and/or have upskilling programmes that are explicitly part-

time or designed with the needs of certain underrepresented demographics in mind.

Reverse mentoring, whereby senior leaders are mentored by a more junior colleague from a protected characteristic group, can also be an effective means of developing and improving the management of diverse talent.

3. Ensure transparency by clearly communicating promotion and progression criteria and opportunities.

Being clear in how you define and measure both performance and potential, and how those relate to progression, can help all employees to understand how best to approach their career development.

Transparency in the hiring process for senior positions, by ensuring vacancies are advertised openly, helps to enable all potential candidates to consider the skills and capabilities and their suitability for the role. Making role descriptions for promoted positions less prescriptive can also encourage more applications from candidates from underrepresented groups.

Cross-organisation mentoring can be an effective way for smaller employers to give employees access to the benefits of mentoring and coaching.

¹⁹ <https://www.thevaluable500.com/campaign/the-truth-about-disability>



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The first perk of my job is that I can sink my teeth into possibly my favourite thing in the world – numbers and statistics – via our new client recording database interface!

Another perk of my job is that I regularly can speak to people that either have similar difficulties to me, or more complex needs than I have, who come on to one of our programmes. My own experience means I can understand issues they have had in the past and how they can potentially overcome them in the workplace in the future.

Dylan

Case study

Supporting employees to progress: Dylan's story

Dylan is autistic and has a visual impairment, and first engaged with ENABLE's Stepping Up transitions programme at his school in Airdrie. After leaving school, Dylan applied unsuccessfully for a number of administrative jobs.

ENABLE Works had a vacancy for an administrative role which, knowing Dylan's talents and personality, they thought he would be a good fit for. They designed a skills-based assessment interview, testing his ability with word processing, emails, and databases, rather than asking formal questions in an interview setting.

Dylan's application was successful, and to support him to succeed in the role ENABLE Works:

- Had a dedicated job coach work with Dylan;
- Helped Dylan apply for an Access to Work grant so he could get a taxi from his home and back;
- Ensured all Dylan's tasks were systematically broken down and listed for him, so he could learn the role and recognise which tasks he was struggling with;
- Supplied Dylan with a larger screen and allocated tasks that allowed him to take regular breaks from the computer;
- "Job carved" the role – removed certain parts of the job description he struggled with and might have typically been expected to do. These tasks were allocated to a colleague, with Dylan taking responsibility for some of that colleague's tasks in exchange;
- Gave him headphones to help him avoid distractions in the noisy reception area; and
- Allocated Dylan a quiet space to rest during lunchtime, as being in a busy office initially had the effect of 'sensory overload'.

Dylan asked for opportunities for training and continuous professional development and was enrolled into an Enhanced Modern Apprenticeship in Business Administration, which allowed him to use his work to evidence application of learning and was not limited to traditional classroom learning and examination assessments. He passed in 2019.

Dylan has now progressed to take on additional responsibilities in supporting the ENABLE Works team to train employers, including visiting businesses to talk to their employees about employing someone with autism or a disability.

As Dylan has developed into his role, many of the supports and adaptations put in place are no longer required as his knowledge, aptitude, and confidence have grown, and he was named ENABLE's Young Employee of the Year in 2019.

Case study

Supporting women to thrive in financial services

Praetura is a Financial Services firm in the Northwest with 135 employees. Praetura is an accredited Good Business Charter organisation and as part of the accreditation process is working on measuring ethnicity, gender, and disability pay gaps.

As part of its ongoing commitment to representing the communities in which it works, Praetura set out to increase the representation of women in its workforce. This process began with a focus on improving the representation of women in its recruitment candidate pool. This involved assessing recruitment channels, 'employer branding' and case study campaigns. Following these changes, the percentage of female staff has increased from 36% at the beginning of 2021 to 47% in 2022.

Following the success of its work to diversify its recruitment processes, Praetura is introducing measures to increase the progression of talented women into senior management and leadership positions. As well as reviewing people policies to include enhanced family leave policies, menopause policy and structured return to work support, they have introduced a mentoring programme, which targets high-potential women in management positions and offers them mentoring from women in senior leadership positions. They are running Confidence and Career Accelerator sessions to address topics such as barriers to workplace confidence, imposter syndrome, 'credibility and influence' and personal branding. Attendees will have the option to receive additional personal 1:1 coaching and further group sessions. Diversifying senior talent pipelines takes time but early results are promising.



Workplace culture

Why it matters

Despite progress in creating inclusive workplace cultures in recent years, protected characteristic groups remain significantly more likely to face harassment and violence in the workplace. An IoD survey of members in February 2022 found that a third (36%) of business leaders believe that UK business as a whole is not doing enough to tackle gender discrimination. Meanwhile, ethnically diverse employees are twice as likely as white employees to have experienced or witnessed racial harassment from managers, customers/clients, and colleagues²⁰. Furthermore, around 23% of employed respondents to the 2017 National LGBT Survey reported that they had experienced a negative or mixed reaction from others in the workplace just for being a part of the LGBTQ+ community²¹.

Progress on building inclusive workplaces requires buy-in from employees at all levels and for change to be embedded in organisations' DNA. Creating inclusive workplaces in which all employees can bring their whole selves to work and thrive improves employee engagement, productivity, and retention.

If you are a small employer, some of these recommendations may require more HR capacity than you have at present. But workplace culture is also more flexible in smaller organisations, so focussing on 'easy wins' – for example, flexible working – can have a lot of impact in a short space of time.

Key recommendations

Many of the aforementioned recommendations in this report will help drive a more inclusive culture. For example, we know from the introduction of mandatory gender pay gap reporting that the recommendation for employers to measure and report the representation of diverse groups within their workforce and calculate pay gaps will help embed ED&I as a boardroom concern, and therefore integrate it into the organisation's broader culture.

1. Review the way in which all communications convey and project how your organisation values and harnesses diverse talent.

Engagement with accreditation processes and membership bodies related to ED&I – such as the [Good Business Charter](#), the [Disability Employment Charter](#), and [Neurodiversity in Business](#) – can effectively signal a business's commitment to creating an inclusive workplace.

Having clear policies around tackling issues like sexual harassment and bullying, and ensuring that employees are aware of them, can also send a clear message that your workplace culture is inclusive.

2. Promote an atmosphere of open and regular communication between staff and across various levels of the organisation, where employees feel comfortable to share personal and workplace experiences.

Building ED&I into routine line manager-employee conversations can help to embed ED&I throughout the organisation. Anonymous, 'pulse-check' surveys of employees can also generate helpful feedback on what employees feel is and is not working in creating inclusive workplaces.

²⁰ Business in the Community (2021). Race at Work 2021: McGregor-Smith Review Four Years On. London: Business in the Community, p.13.

²¹ Government Equalities Office (2018). National LGBT Survey: Summary Report. London: Government Equalities Office.

3. Consider how to embed flexible or non-traditional working methods in your organisation and where possible make flexible working the default from day one of employment, which can help to attract and retain diverse talent. Ensure that your commitment to flexible working is clearly communicated in recruitment materials and made available to as much of your workforce as possible.

The growth of flexible working seen during the pandemic is showing signs of being embedded in the labour market and becoming a crucial part of employee value propositions in many sectors. An IoD survey of business leaders in January 2022 found that 80% are planning to offer at least one day per week of remote working in the long term, with 40% of respondents planning to offer staff either fully remote work (13%) or full flexibility to decide how often they work remotely (27%).

There are many different types of flexible working that can help to attract and retain a diverse workforce. While hybrid working may not be appropriate for some frontline roles, research from Timewise has demonstrated the positive impacts in terms of gender equality and employee engagement that the use of other forms of flexible working — such as part-time work, flexible hours, and job shares — can have across the economy²², including in frontline roles such as teaching and healthcare²³. There is also evidence to suggest that the growth in working from home at present does little to address disability employment gaps given that disabled people are less likely to be employed in roles which offer remote working, hence the importance of providing flexible working for all employees²⁴.

While flexible working can be a useful step in creating a more inclusive workplace, it is important to take steps to mitigate proximity bias by ensuring that employees who adopt less traditional working patterns are not disadvantaged through the decreased visibility and networking that can come with spending less time in the office.

Instituting best practice around conducting hybrid meetings can also reduce the risks posed by hybrid working to ED&I; for example, if one person joins via Teams then all participants should join via Teams, and meeting leads should actively seek different team members to engage in the discussion.

Other equitable working methods might include allowing time for disability-related medical appointments and making changes to the physical working environment to ensure equitable access for disabled employees.

4. Offer regular training, particularly for managers, to give them the confidence to develop and implement ED&I best practice at all levels, based on a clear understanding of the benefits to your organisation and its employees of a work culture that values and fosters diversity.

5. Support and resource the establishment, and utilise the insights of, employee networks, which are voluntary groups of employees that connect based on shared identity or life experiences.

Employee networks can support greater inclusion and awareness for people from different protected characteristic groups, and can actively engage with and provide feedback to senior management on ways to create a more inclusive workplace. Where multiple groups exist, it is important that they are encouraged to interact to collectively drive changes to workplace culture and avoid becoming siloed, since many employees will identify with multiple protected characteristic groups.

It is vital that employee networks have senior-level support and sponsorship but also the independence to enable genuine discussion. They should be provided with the resources and mechanisms to feed into your organisation's decision-making process necessary to have real impact.

²² Stewart, E. and Bivand, P. (2016). How flexible hiring could improve business performance and living standards. London: Joseph Rowntree Foundation.

²³ Timewise (2021). Developing a Whole-School Approach to Flexible Working: Report on a Pioneers Programme with eight secondary schools, within three multi-academy trusts. London: Timewise.

²⁴ Hoque, K. and Bacon, N. 2021. Working from home and disabled people's employment outcomes. British Journal of Industrial Relations, 60, 32-56.

Case study

Driving cultural change through inclusive values

DAC Beachcroft is an international law firm headquartered in the UK with offices around the world.

When Virginia Clegg was elected as DAC Beachcroft's Senior Partner in 2015, she focused the Group Board on developing and clearly articulating the firm's vision, purpose, and culture. Developing an inclusive culture was implemented as part of the DACB's wider business strategy, central to its mission to deliver business growth and drive colleague engagement and satisfaction.

Empowered by overarching cultural principles emphasising the importance of inclusion, DACB revamped its ED&I strategy. Central to this strategy has been the development of networks to increase the understanding colleagues have of one another through sharing experiences in a safe space. These networks include SPECTRUM, which supports LGBTQ+ colleagues and allies, ACCESS, which supports racial inclusion, and Women+, which supports and encourages women in the firm to succeed with their chosen career path. Crucially, each network has an executive sponsor at the senior leadership level.

The delivery of initiatives — including enhanced support for maternity returners, measures to ensure gender balance on the firm's Partner Development programmes, and inclusive leadership training — have all contributed to putting DACB's inclusive values into practice. The firm has also developed innovative interventions to support inclusion, such as its award-winning 'Reconnect' programme, which helps legal professionals considering a return to the profession after time away, for instance to have a family.



The role of a senior leader is to show that you care, and that you mean it. A platform must be created which demonstrates that culture matters within a business, but for it to 'stick', leaders must be visible in driving the way we learn about each other's perspectives, values, and sense of purpose. This collective understanding and respect for each other is what will create an inclusive culture and a safe space for colleagues to thrive."

Virginia Clegg, Senior Partner, DAC Beachcroft

Senior leadership and accountability

Why it matters

Creating inclusive workplaces requires buy-in at all levels, but having clear commitment, ownership, and accountability mechanisms at the top of organisations is essential to driving and achieving cultural change on ED&I.

Well-designed and implemented ED&I strategies reduce the risk of ineffective workforces by increasing productivity, employee engagement, and employee satisfaction, all of which are essential to an organisation's bottom line; ED&I should therefore be a core element of business strategy built into the functioning of boards and senior leadership.

The number of organisations with a senior leader and/or champion who actively promotes equality, equity, fairness and inclusion has increased by more than a third over 6 years, from 32% in 2015 to 44% in 2021²⁵, and initiatives like The Valuable 500, Change the Race Ratio, The 30% Club, and The Association of LGBTQ+ Directors have built communities of senior leaders committed to improving inclusion at all levels of business.

Key recommendations

1. Build ED&I into the core functions of boards as an element of business strategy.

Given the importance of ED&I to organisations' ability to attract and retain the best talent, as well as to their brand and reputation — and therefore, ultimately, their profitability and longevity — ED&I should be interwoven within organisations' growth strategy, and this should be reflected in the attention it receives at board level. Non-executive directors have a crucial role to play in ensuring oversight of organisations' ED&I strategies and in holding management to account on progress.

functioning, but they should consider how to ensure that ED&I is routinely and meaningfully addressed at meetings.

2. Ensure an accountability structure for meeting targets on ED&I, including at board level.

Accountability for ED&I ultimately rests with CEOs, but it should be woven into performance metrics — and, where appropriate, remuneration — throughout organisations, to reflect the importance of ED&I to business strategy and success.

Making ED&I a key performance metric will help to create the motivation needed to engender the necessary change to create an inclusive workplace.

3. Use reverse mentoring, whereby senior leaders are mentored by a more junior colleague from a protected characteristic group, to build dialogue between different employee groups and facilitate open feedback on ED&I.

4. Consider how senior leaders can support conversations at all levels around ED&I and actively and consistently demonstrate support for building an inclusive culture throughout the organisation.

Senior leaders being visible in allyship for protected characteristic groups and, where appropriate, sharing lived experience, can be a powerful way to build and signal an inclusive workplace culture.

²⁵ Business in the Community (2021). Race at Work 2021: McGregor-Smith Review Four Years On. London: Business in the Community, p.13.

Sponsoring employee networks can both demonstrate senior-level support for ED&I and facilitate insight into employees' views on ED&I. Senior leaders do not need to lead on all areas of ED&I; accepting the leadership of others and learning from employees, for example through employee networks, is a crucial part of creating an inclusive culture.

Many senior leaders shy away from sometimes difficult conversations around ED&I out of fear of 'saying the wrong thing', but approaching such conversations with openness and a willingness to engage and learn will go far in fostering the trust and psychological safety needed to create an inclusive workplace.

Case study

Using a shadow board to bring diverse perspectives to management decisions

With operations in 37 countries, PageGroup is a FTSE 250 company that provides recruitment services and career opportunities on a local, regional, and global level.

In recognition of the value of having diverse voices represented in influencing the strategic direction of its UK business, and the importance of ensuring that employees are part of organisational change, in 2020 PageGroup launched an Operational Shadow Board in the UK.

Senior leadership published a call to all staff, explaining the rationale behind the initiative and inviting applications from employees at manager level and below to join the shadow board. Shadow board members have the option to stand down at the end of 12 months or stay on for another 12-month term, a process which allows more employees a chance to participate.

The shadow board started with 10 members in conjunction with the UK Managing Director and UK DE&I Director. The board members were from a diverse range of backgrounds, across gender, ethnicity, sexual orientation, disability, age, and geography. The shadow board was given the scope to not only voice their opinions on the

UK board's objectives but also to suggest wider organisational changes that they wanted to see.

The shadow board quickly demonstrated tangible impact. The board designed a new process to route customer calls through to PageGroup's engagement team via a switchboard to avoid losing potential incoming business, a process which since implementation in 2021 has generated more than £800,000 in business. The board also instigated a company-wide half day for employees to focus on their mental health, as well as improvements to parental policies, such as bringing adoption pay in line with maternity pay and increasing maternity and paternity pay.

Employee feedback on the shadow board has been extremely positive, with shadow board members reporting valuing the opportunity to connect professionally with colleagues across the business and highlighting the value of exposure to senior-level decision-making processes to their professional development.

The success of the UK shadow board has led to the initiative being replicated across PageGroup's global business, at both the national and international levels.

The Institute of Directors is a non-party political organisation, founded in 1903, with approximately 20,000 members. Membership includes directors from right across the business spectrum, from media to manufacturing, professional services to the public and voluntary sectors. Members include CEOs of large corporations as well as entrepreneurial directors of start-up companies. The IoD was granted a Royal Charter in 1906, instructing it to “represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation.” The Charter also tasks the Institute with promoting “for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors”, which the IoD seeks to achieve through its training courses and publications on corporate governance.

The IoD is an accredited [Good Business Charter](#) organisation.

iod.com



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Please contact alexandra.hall-chen@iod.com with any feedback on the recommendations and how to take them forward.